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This Listing Statement is compiled by the Exchange from documents filed by the Company in making application for listing. It is issued for the information of members, member firms and member corporations of the Exchange. It is not and is not to be construed as a prospectus. The Exchange has received no consideration in connection with the issue of this Listing Statement other than the customary listing fee. The documents referred to above are open for inspection at the general office of the Exchange.

LISTING STATEMENT NO. 2356

LISTED APRIL 18, 1969.  
1,025,000 Shares without par value.  
Stock Symbol "GSD".  
Post Section 9.6.  
Dial Quotation No. 2116.

THE TORONTO STOCK EXCHANGE

LISTING STATEMENT

GESCO DISTRIBUTING LIMITED

The full name of the applicant Company is Gesco Distributing Limited. It was incorporated by Letters Patent of the Province of Ontario on September 30, 1968. The shares listed are shares of the only class of the Company's capital stock, known as "shares without par value", and are in effect common shares. A tabulated record of capital securities outstanding is:

1. CAPITALIZATION			
SHARE CAPITAL	AUTHORIZED	ISSUED AND OUTSTANDING	TO BE LISTED
Shares of no par value .....	1,500,000	1,025,000	1,025,000
FUNDED DEBT			
8% Sinking Fund Debentures Series A maturing February 1, 1984 .....	\$1,600,000	\$1,600,000	Nil

2. APPLICATION

GESCO DISTRIBUTING LIMITED (hereinafter called "the Company") hereby makes formal application and request for the listing on The Toronto Stock Exchange of 1,025,000 shares without par value in the capital stock of the Company, all of which have been issued and are outstanding as fully paid and non-assessable.

3. REFERENCE TO PROSPECTUS

Attached to and forming part of this Listing Application is a commercial copy of the final Prospectus of the Company dated January 29, 1969. For the purpose of this Listing Application portions of the Prospectus as mentioned herein are hereby incorporated into this Listing Statement. Any material changes of the matters set forth in the Prospectus which have occurred since January 29, 1969, will be set out.

4. HISTORY OF THE COMPANY

The history of the Company from its inception to the date of this Application is fairly set out in the Prospectus under the headings "Gesco Distributing Limited", "Acquisition of G. E. Shnier Co. by Gesco", and "Business" found at pages 3, 4 and 5 of the Prospectus. Since the date of the final Prospectus, the Company has discontinued its distribution of the Coronet line of carpeting in British Columbia and has taken on the Canadian Celanese line for distribution in that Province.

5. NATURE OF THE BUSINESS

The nature of the business conducted by the Company is set out in the Prospectus under the heading "Business" found on page 4 of the Prospectus. Other and similar information relating to the character of the business conducted, the premises used, and the number of employees, will be found under the same heading.

6. INCORPORATION

The Company was incorporated by Letters Patent of the Province of Ontario on September 30, 1968, with an authorized capital of 1,500,000 shares without par value. Supplementary Letters Patent were issued to the Company on February 6th, 1969, specifically setting out certain borrowing powers of the Company. The Supplementary Letters Patent were required for the registration of a Trust Deed of Hypothec, Mortgage and Pledge in the Province of Quebec. Except for the Supplementary Letters Patent aforesaid, since incorporation to the date of this Listing Statement, there have been no amendments to the Charter or Letters Patent or any changes in capitalization of any nature or kind whatsoever.



7.

## SHARE ISSUES

The times and dates of the issuance of shares of the capital stock of the Company, and the consideration for which they were issued, up to January 29th, 1969, are found in the Prospectus under the heading "Acquisition of G. E. Shnier Co. by Gesco" at page 3 of the Prospectus and under the heading "Prior Sales" at page 14 of the Prospectus. Since January 29, 1969, the 25,000 shares of the Company reserved for employees, as set out under the heading "Stock Option Plan" at page 14 of the Prospectus, have been taken up by all employees and all 25,000 of said shares have been issued and are outstanding as fully paid and non-assessable shares. The employees exercised their options on February 6, 1969. On March 4, 1969, pursuant to the terms of an Underwriting Agreement dated January 29, 1969, as disclosed in the Prospectus, 200,000 shares without par value were issued to Richardson Securities of Canada as fully paid and non-assessable shares, the consideration for which shares was \$750,000.00. Shares issued to employees were issued as part of a general incentive program. The shares issued to Richardson Securities of Canada were issued for the purposes set out under the heading "Use of Proceeds" found at page 6 of the Prospectus.

8.

## STOCK PROVISIONS

There are no special rights, preference or privileges attaching to the shares proposed to be listed, the shares being undesignated common shares all ranking equally.

9.

## DIVIDEND RECORD

Neither the Company nor any of its predecessors have paid any dividends.

10.

## RECORD OF PROPERTIES

The Company leases office, plant and warehouse space and particulars of the premises leased are more particularly set out under the heading "Business" and will be found on page 5 of the Prospectus. The Company owns plant and office equipment, a brief description of which is as follows:

The Company uses—propane power fork lift trucks with triple stage masts; Redirack Steel Shelving for storage of carpet bales and ceramic pallets; overhead tracks with electric pulley systems; powered pallet mover trucks; and electric conveyors—in their warehouses.

The Company maintains air conditioned office space, and uses electric typewriters, calculators, copying machines, duplicating equipment, and has standard desks, filing cabinets and other office equipment. Specifically the Company maintains a computerized operation and makes use of electronic data processing equipment. All the Company's offices are inter-connected by and all use and maintain telex communications.

11.

## INVESTMENTS IN SHARES OF OTHER COMPANIES

The Company owns shares in three Ontario Companies carrying on businesses similar and related to that of the Company. None of the three Companies are subsidiaries of the Company.

12.

## FUNDED DEBT

Pursuant to the Underwriting Agreement of January 29, 1969, as disclosed in the Prospectus, the Company sold \$1,600,000. 8% Sinking Fund Debentures, Series A to Richardson Securities of Canada for sale to the public. The 8% Sinking Fund Debentures Series A are secured by a Deed of Trust and Charge registered in all Provinces of Canada except Quebec and Newfoundland, and are secured by a Trust Deed of Hypothec, Mortgage and Pledge in the Province of Quebec. Further particulars can be found at pages 6, 7, 8, 9, 10, and 11 of the Prospectus.

13.

## UNDERWRITING, OPTIONS, ET CETERA

Particulars of an Underwriting Agreement between the Company and Richardson Securities of Canada are found under the heading "Plan of Distribution" on page 5 of the Prospectus. The sale of shares and Debentures as therein set forth was completed on March 4, 1969. All outstanding options for shares in the Company have been exercised. There are certain "Restricted Trade Agreements" for the 775,000 shares of the capital stock of the Company owned by C. E. Shnier Co., as well as for the 25,000 shares sold to the employees and the additional 25,000 shares purchased by employees pursuant to their exercised options. Particulars are set out under the heading "Plan of Distribution" found at pages 5 and 6 of the Prospectus. In addition, 580,000 of the 775,000 shares owned by G. E. Shnier Co. are placed in escrow with the Royal Trust Company as described under the heading "Escrowed Shares" found at page 14 of the Prospectus.

14.

## LISTING ON OTHER STOCK EXCHANGES

There are no securities of the Company listed on any other Stock Exchange.

15.

## STATUS UNDER SECURITIES ACTS

The Ontario Securities Commission issued its official receipt dated February 4, 1969, acknowledging receipt of the material required under the Securities Act (Ontario) in reference to the offering of 1,600,000 8% Sinking Fund Debentures, Series A of the Company and 200,000 shares without par value in the capital stock of the Company. A similar receipt was received from the British Columbia Securities Commission on February 7, 1969, from the Alberta Securities Commission on February 4, 1969, from the Saskatchewan Securities Commission on February 4, 1969, and registration under the Securities Act of Nova Scotia was received on February 5, 1969, under the Securities Frauds Prevention Act of Prince Edward Island, on February 6, 1969, under the Securities Frauds Prevention Act of New Brunswick on February 4, 1969, and an exemption from registration under the Securities Act of Quebec was received from the Quebec Securities Commission on February 4, 1969. In Manitoba the said Debentures and Shares were approved for trading in the Province of Manitoba by the Winnipeg Stock Exchange prior to February 15, 1969.



No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereby and any representation to the contrary is an offence.

NEW ISSUE:

## **GESCO Distributing Limited**

*(Incorporated under the laws of the Province of Ontario)*

### **\$1,600,000 8% Sinking Fund Debentures Series A**

To be dated: February 1, 1969.

To mature: February 1, 1984.

and

### **200,000 Shares**

without par value

Offered in Units, each to consist of a

#### **\$1,000 8% Sinking Fund Debenture Series A and 125 Shares**

Principal and interest (February 1 and August 1) on the 8% Sinking Fund Debentures (Debentures Series A) payable in lawful money of Canada at the holder's option at any branch in Canada of the bankers of Gesco Distributing Limited (Gesco). Interim Debentures representing the Units offered by this prospectus will be issued only in fully registered form. The interim Debentures will be exchangeable at the option of Gesco at any time after delivery date and in any event, prior to March 31, 1969 for definitive share certificates and separate debentures in definitive form. Prior to the delivery of shares and debentures in definitive form each Unit will be transferable only as such. The Debentures Series A will be available in fully registered form in denominations of \$1,000 and authorized multiples thereof and in coupon form in denominations of \$1,000 with provision for registration as to principal only. Coupon Debentures Series A and fully registered Debentures Series A will be interchangeable. The Debentures Series A will be redeemable at the principal amount plus accrued interest and redemption premium as described under the sub-heading Redemption on page 7 herein.

Gesco will covenant in the Trust Deed to establish a sinking fund commencing in 1970 to retire \$1,465,000 of the principal amount of the Debentures Series A prior to maturity.

### **Price: \$1,500 per Unit (1)**

	<u>Price to Public (1)</u>	<u>Proceeds to the Underwriter</u>	<u>Proceeds to the Company (2)</u>
Per Unit	\$1,500.00	\$81.25	\$1,418.75
Total	\$2,400,000.00	\$130,000.00	\$2,270,000.00
(1) Plus accrued interest from February 1, 1969 to the date of delivery.			
(2) Before deduction of estimated expenses of \$60,000.			

Application has been made to list the shares of Gesco Distributing Limited on The Toronto Stock Exchange. Acceptance of listing will be subject to the filing of required documents and evidence of satisfactory distribution, both within 90 days.

There is at present no established market for the securities offered by this prospectus and the price, therefore, was determined by negotiation between Gesco and Richardson Securities of Canada.

We, as principals, offer these Units, subject to prior sale, if, as and when issued by Gesco and accepted by us and subject to the approval of all legal matters on behalf of Gesco by Messrs. Asper & Company, Winnipeg and on our behalf by Messrs. Pitblado, Hoskin & Company, Winnipeg.

It is expected that fully registered interim Debentures representing the Units offered by this prospectus will be ready for delivery on or about March 4, 1969.



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### STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION OF PURCHASERS IN ONTARIO, SASKATCHEWAN, ALBERTA AND BRITISH COLUMBIA

The attention of purchasers in the Provinces of Ontario, Alberta and Saskatchewan of any of the securities offered by this prospectus is drawn to certain provisions of relevant legislation, namely: The Securities Act, 1966 (Ontario), The Securities Act, 1967 (Alberta) and The Securities Act, 1967 (Saskatchewan), which permit such purchasers in certain events and subject to certain conditions:

- (a) to withdraw from any agreement of purchase if written or telegraphic notice evidencing the intention of the purchaser not to be bound by the agreement of purchase is received by the vendor or his agent not later than midnight on the second business day after the prospectus or amended prospectus is received or is deemed to be received by the purchaser or his agent; and
- (b) to rescind the agreement of purchase by institution of legal proceedings within 90 days from the later of the date of receipt of the prospectus or amended prospectus by the purchaser or his agent or the date of the agreement of purchase if such prospectus, as of the date of receipt, contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement contained therein not misleading in the light of the circumstances in which it was made.

The full text of the respective statutory provisions summarized above are contained in Sections 63 and 64 of The Securities Act, 1966 (Ontario), Sections 63 and 64 of The Securities Act, 1967 (Alberta) and Sections 70 and 71 of The Securities Act, 1967 (Saskatchewan).

Sections 61 and 62 of The Securities Act, 1967 (British Columbia) provide in effect, that where a security is offered to the public in the course of primary distribution:

- (a) a purchaser has a right to rescind a contract for the purchase of a security, while still the owner thereof, if a copy of the last prospectus, together with financial statements and reports and summaries of reports relating to the securities as filed with the British Columbia Securities Commission, was not delivered to him or his agent prior to delivery to either of them of the written confirmation of the sale of the securities. Written notice of intention to commence an action for rescission must be served on the person who contracted to sell within 60 days of the date of delivery of the written confirmation, but no action shall be commenced after the expiration of three months from the date of service of such notice.
- (b) A purchaser has the right to rescind a contract for the purchase of such security while still the owner thereof, if the prospectus or any amended prospectus offering such security contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after expiration of 90 days from the later of the date of such contract or the date on which such prospectus or amended prospectus is received or is deemed to be received by him or his agent.



## GESCO DISTRIBUTING LIMITED

Gesco Distributing Limited (Gesco) was incorporated as a public company under the laws of the Province of Ontario by letters patent dated September 30, 1968. Gesco is the successor to and will continue to operate the distribution business previously operated by the partnerships, G. E. Shnier Co. and Eagle Distributing Co. Gesco will continue to operate the said distribution business under the trade names "G. E. Shnier Co." and "Eagle Distributing Co." The head office and principal office of Gesco is at 1965 Lawrence Avenue West, Toronto.

Although the experience of the Shnier family in the distributing business extends over thirty years, the first corporate predecessor of the present business was an Ontario corporation, George E. Shnier & Company Limited, which was incorporated by letters patent of the Province of Ontario on April 12, 1948. Its corporate name was changed to G. E. Shnier Co. Limited by supplementary letters patent dated December 27, 1963.

From January 1, 1962 until December 31, 1963, the distributing business was carried on by a partnership of Shnier-owned corporations, and it was during this period that the trade names of "G. E. Shnier Co." and "Eagle Distributing Co." were adopted.

Further changes in the corporate and family ownership structure were made as of January 1, 1964 when the partnership was converted to a limited partnership consisting of G. E. Shnier Co. Limited as general partner, and the Irving Shnier Family Trust, the Norman Shnier Family Trust, the Allan Shnier Family Trust, the Cecil Shnier Family Trust, and the Phil Shnier Family Trust, all as limited partners.

It is the latter partnership, carrying on business under the name "G. E. Shnier Co." and "Eagle Distributing Co." which sold the family business to Gesco Distributing Limited as at October 1, 1968. The predecessor partnership, G. E. Shnier Co., thus became a shareholder of Gesco as set out under the heading Principal Holders of Securities on page 13 herein.

## ACQUISITION OF G. E. SHNIER CO. BY GESCO

Pursuant to an agreement dated as of October 1, 1968, made between Gesco and the partners of G. E. Shnier Co., Gesco acquired all of the assets and assumed all of the liabilities of the said partners in their business of G. E. Shnier Co. and Eagle Distributing Co. The purchase price was the net book value of such assets, \$1,834,129, and Gesco issued a demand promissory note in full payment thereof. The recipient of the note, the partnership, immediately subscribed for 775,000 shares of Gesco, and agreed to pay therefor the sum of \$1,600,000, by surrendering its note, to that extent. The shares were issued to the partnership and the balance of the note, in an amount of \$234,129, was transferred into a new non-interest bearing note from Gesco to the partnership, payable on demand with interest after demand at the rate of 7½% per annum.

Pursuant to an agreement between Gesco and Metropolitan Equities Ltd. (Metropolitan), a company owned by the five Shnier Family Trusts mentioned under the heading Principal Holders of Securities on page 13 herein, Gesco acquired certain of Metropolitan's investments in the shares and shareholders' advances of other companies associated with Gesco in its business for a total consideration of \$49,388 payable in cash. Reference is made to the sub-heading Interest of Management in Material Transactions on page 13 herein.



## BUSINESS

The business which Gesco operates was started in 1939 and, as a merchandise distributor, Gesco's operations extend across Canada. Distribution centres are maintained in Montreal, Toronto, Winnipeg, Regina, Saskatoon, Calgary, Edmonton and Vancouver. In addition, merchandise is maintained in public storage in Halifax to service the Maritimes. Gesco has established four product divisions: floor covering; foam cushioning and upholstering supplies; hardware specialties; and ceramic and mosaic floor and wall coverings.

While Gesco is known primarily as a floor covering distributor, it has established a solid base from which to expand its other divisions. Gesco is the only Canadian distributor that maintains complete stocks of ceramic and mosaic tile across Canada. In Eastern Canada and Manitoba, it is a major distributor and fabricator of foam rubber and polyurethane foam cushioning and has recently expanded this division to include the distribution of upholstering supplies. The hardware specialty division has developed lines related to floor covering which are manufactured to its specifications.

As a distributor, Gesco's main functions are warehousing, sales and shipping. In exchange for exclusive rights or selective distribution rights, Gesco performs this distribution function for a range of products produced by certain manufacturers and for these manufacturers it assumes part of the responsibility of selling, storing and shipping finished goods and financing accounts receivable. In addition to its distribution function, Gesco carries out simple fabricating operations in its foam cushioning departments located in Montreal, Toronto and Winnipeg.

Some of the manufacturers for which the Company acts as distributor and for whom it normally maintains stocks are as follows:

**B. F. Goodrich Canada Limited** (B. F. Goodrich). B. F. Goodrich is the leading manufacturer of sponge rubber carpet cushion and foam furniture cushioning in Canada. Gesco distributes this company's sponge carpet cushion on an exclusive basis throughout Canada and is the only national distributor selling the same brand of carpet underlay throughout the country. It also distributes B. F. Goodrich "Ventifoam" and polyurethane foam cushioning on an exclusive basis in Ontario, Quebec, and the Maritimes, and is one of two distributors in Manitoba.

**Armstrong Cork Canada Limited** (Armstrong). Armstrong is a leading producer of resilient floor coverings including "Excelon" vinyl asbestos tile and "Corlon" (the Armstrong trade name for sheet vinyl flooring), as well as "CorAire", a rotogravure printed cushioned flooring. Gesco is one of two distributors in Ontario and Manitoba for these products. Gesco also distributes resilient floor covering products, such as linoleums, manufactured in the United States by Armstrong.

**Brinton Carpets Limited** (Brinton). Brinton is the carpeting subsidiary of Armstrong and produces carpeting manufactured from both natural and man-made fibres. Gesco is the exclusive distributor of these lines in Ontario.

**Brinton's Limited** (Brinton's). Gesco imports a line of carpeting manufactured by this firm in England, which is distributed on an exclusive basis throughout Canada.

**Canadian Celanese Co.** (Celanese). This company, a division of Chemcell Ltd., is one of the leading Canadian manufacturers of carpeting manufactured from man-made fibres. Gesco distributes its carpeting in Ontario.

**Domco Industries Limited** (Domco)/**Coronet Carpets Limited** (Coronet). Domco and its affiliate, Coronet, manufacture hard surface floor covering and carpet. Gesco distributes these products in Western Canada.



**Carlyle Vinyl Products** (Carlyle). Gesco distributes the "Scandia" vinyl protective carpet runner manufactured by this company on an exclusive basis throughout Canada.

**Dermide of Canada** (Dermide). Gesco is the exclusive distributor in Western Canada of "Rossella" vinyl carpeting manufactured by Dermide.

**Kamiyama Ceramic Works** (Kamiyama). Kamiyama is a leading Japanese manufacturer of ceramic and mosaic tiles marketed under the trade name "Crown." Gesco is the exclusive Canadian distributor of these products. In addition Gesco imports other lines of ceramic tile which are sold under Gesco's brand names of "Cardinal" and "Eagle."

**Roppe Rubber Corporation** (Roppe). This company manufactures rubber cove base and related flooring accessories, for which Gesco serves as the exclusive distributor throughout Canada.

**Protecto Specialty Flooring**. In its hardware specialties division Gesco distributes a line of specialty flooring products under its own registered trade name of "Protecto." These products are manufactured to Gesco's specifications.

It is not the custom in the industry for the manufacturer and distributor to make long-term formal arrangements with regard to distribution. The arrangements generally continue as long as each party performs to the satisfaction of the other. Gesco has represented some of the leading manufacturers in the range of products with which it deals for many years, and continues to add to its lines quality products produced by prestige manufacturers. It has distributed the B. F. Goodrich sponge products for over 20 years and has distributed Armstrong floor covering lines since 1957.

Gesco occupies a total of approximately 276,000 square feet of modern warehouse space. The warehouses occupied by Gesco in Toronto (127,000 square feet), Winnipeg (34,000 square feet), Regina (18,000 square feet), Calgary (18,000 square feet) and Vancouver (33,000 square feet) are owned by Sarah Investments Ltd., a real estate holding company owned by the Shnier Family Trusts referred to under the heading Principal Holders of Securities on page 13 herein. Each lease from Sarah Investments Ltd. to Gesco is for a minimum of 15 years. Gesco leases premises totalling 46,000 square feet in Montreal, Saskatoon and Edmonton from other persons or corporations.

To service its customers across Canada, Gesco employs a staff of approximately 190 people in warehouse, administrative and executive functions, plus a sales staff of approximately 50.

## PLAN OF DISTRIBUTION

By an agreement dated January 29, 1969 made between Gesco and Richardson Securities of Canada (Underwriter), Gesco agreed to sell and the Underwriter agreed to purchase the Units comprising \$1,600,000 principal amount of Debentures Series A and 200,000 shares in the capital of Gesco to be offered by this prospectus for the total cash consideration of \$2,270,000 payable against delivery on or about March 4, 1969 if, as and when issued and subject to compliance with the necessary legal formalities and to the terms and conditions stated in the said agreement. The Underwriter is committed to take up and pay for all the Units, subject to the terms, conditions and provisions of the said agreement.

By an agreement dated January 29, 1969 Messrs. Irving Shnier, Norman Shnier, Allan Shnier, Cecil Shnier, and Philip Shnier agreed with the Underwriter not to sell, dispose of or otherwise deal in, directly or indirectly, any shares of Gesco held or proposed to be held, directly or indirectly, of record or beneficially, by them or by members of their families for a period of 6 months from the date of this prospectus without the prior written consent of the Underwriter.



By an agreement dated January 29, 1969 Gesco agreed with the Underwriter not to issue or sell any shares to officers and/or employees of Gesco unless and until an undertaking, acknowledgement and confirmation shall have first been received from each of such officers and/or employees that no sale, transfer or other disposition of any such shares would be made within 6 months from the date of this prospectus without the prior written consent of the Underwriter.

### USE OF PROCEEDS

After deduction of expenses connected with the issue (estimated not to exceed \$60,000), the proceeds to be derived by Gesco from the sale of 1,600 Units offered by this prospectus amounting to \$2,210,000 will be applied as to \$226,935 to repay notes and loans payable, as to \$1,560,399 to reduce bank advances and the balance, \$422,666, will be added to working capital.

CAPITALIZATION				To be Outstanding on Completion of this Financing
	Authorized \$	Outstanding October 1, 1968 \$	Outstanding November 30, 1968 \$	\$
<b>Current Liabilities</b>				
Bank Advances — secured.....		1,560,399	1,880,000	—
Notes and Loans Payable.....		226,935	203,200	—
<b>Long-Term Debt</b>				
8% Sinking Fund Debentures				
Series A (1).....	—	—	—	1,600,000
<b>Capital Stock</b>				
Shares without par value (2).....		1,600,000	1,600,000	2,400,000
	(1,500,000 shares)	(775,000 shares)	(775,000 shares)	(1,000,000 shares)

#### Notes:

1. The Debenture Series A are issued under a Trust Deed which creates a first floating charge as set out under the sub-heading Security on page 7 herein. Additional Debentures may be issued under the Trust Deed, subject to the terms thereof.
2. A stock option plan for an aggregate of 25,000 shares is described under the heading Stock Option Plan on page 14 herein.
3. For information regarding obligations under leases of real property refer to Note 6 of the Notes to the Pro Forma Balance Sheets on page 18 herein.

### DESCRIPTION OF THE 8% SINKING FUND DEBENTURES SERIES A, AND CERTAIN PROVISIONS OF THE TRUST DEED

The 8% Sinking Fund Debentures Series A (Debentures Series A) offered by this prospectus is the initial series to be issued under and secured by a Deed of Trust and Mortgage (Trust Deed) to be dated as of February 1, 1969, and to be entered into between Gesco and The Royal Trust Company as Trustee (the Trustee). The following is a brief summary of the material attributes and characteristics of the Debentures Series A and does not purport to be complete and is qualified in its entirety by reference to the Trust Deed.

#### Debentures Series A

The Debentures Series A will be dated February 1, 1969; will mature February 1, 1984; and will bear interest at the rate of 8% per annum payable half-yearly on August 1 and February 1 in each year. The principal of all the Debentures Series A and the interest and premium, if any, thereon will be payable in lawful money of Canada at any branch in Canada of Gesco's bankers at the holder's option.



## **Security**

The Debentures Series A will be direct obligations of Gesco and will be secured by a first floating charge on its undertaking and all its other assets and property for the time being, both real and personal, now owned or hereafter acquired.

The Trust Deed will provide that the said first floating charge and the Trust Deed shall in no way hinder or prevent Gesco from selling, leasing or otherwise dealing with its property in the ordinary course of its business and, in particular, from giving security to its bankers or others (except on fixed assets) to secure loans required in the ordinary course of Gesco's business or from giving purchase money mortgages on property acquired subsequent to October 1, 1968 at an amount up to but not exceeding 75% of the lesser of cost or fair market value of the property so acquired.

## **Redemption**

Gesco, when not in default under the Trust Deed, will have the right at any time prior to maturity upon giving at least 30 days' prior notice, to redeem at any time all of the outstanding Debentures Series A, or from time to time any part thereof, at the principal amount thereof plus a premium of 6% of such principal amount if redeemed after February 1, 1969, and on or before February 1, 1978, such premium thereafter decreasing 1% of such principal amount for each year commenced or elapsed from February 1, 1979 to February 1, 1983, together in each case with accrued interest to the day specified for redemption.

The Trustee, however, will have the right to redeem the Debentures Series A out of sinking fund monies on not less than 30 days' notice at the principal amount thereof with interest accrued to the day specified for redemption as referred to below under the sub-heading Sinking Fund.

Gesco will also be entitled, at its option, to purchase Debentures Series A in the market or by tender or by private contract (except Debentures Series A purchased or redeemed out of sinking fund monies) at any price not exceeding the price at which such Debentures Series A at the date of purchase are redeemable for other than sinking fund purposes plus accrued interest and cost of purchase. Debentures Series A redeemed or purchased by Gesco shall be cancelled and shall not be reissued.

## **Sinking Fund**

Gesco will covenant in the Trust Deed to establish a sinking fund to retire not less than \$1,465,000 principal amount of the Debentures Series A prior to maturity and for such purpose to pay to the Trustee on or before February 1 in each of the years 1970 to 1974, inclusive, a sum sufficient to retire \$80,000 principal amount of Debentures Series A; on or before February 1 in each of the years 1975 to 1979, inclusive, a sum sufficient to retire \$105,000 principal amount of Debentures Series A; on or before February 1 in each of the years 1980 to 1983, inclusive, a sum sufficient to retire \$135,000 principal amount of Debentures Series A as a mandatory sinking fund retirement in each of such years. The above sinking fund payments together with the payment of \$135,000 at maturity will be sufficient to retire the Debentures Series A in full.

The Debentures Series A will be redeemable out of sinking fund monies on not less than 30 days' notice at the principal amount thereof with interest accrued to the day specified for redemption. All Debentures Series A purchased or redeemed by Gesco (except Debentures Series A purchased or redeemed out of sinking fund monies) shall, notwithstanding the cancellation thereof, be available to Gesco as a sinking fund credit which, at the election of Gesco, may be applied (to the extent not theretofore applied) in satisfaction of sinking fund payments payable thereafter. Debentures Series A purchased or redeemed from the sinking fund shall be cancelled and shall not be reissued.



## Events of Default

Events of default for the Debentures Series A issued under the Trust Deed will include:

- (i) failure to maintain consolidated net current assets at a level that exceeds consolidated funded indebtedness;
- (ii) failure to pay interest for 30 days or principal when due;
- (iii) failure to perform covenants within 60 days after notice;
- (iv) certain events of bankruptcy, insolvency or reorganization.

## Additional Debt

Gesco may issue additional funded indebtedness subject to compliance with the covenants set out below.

## Covenants

Gesco will covenant that so long as any of the Debentures Series A remain outstanding it will not:

- (i) Issue or become liable on any further series of debentures unless in all such cases:
  - (a) the average consolidated net earnings before taxes on income and interest paid on the consolidated funded indebtedness of Gesco and its subsidiaries for twelve consecutive months within the preceding eighteen months shall have been not less than four times the amount required to meet the annual interest on the consolidated funded indebtedness of Gesco and its subsidiaries to be outstanding immediately after giving effect to such financing or incurring such liability, as the case may be; and
  - (b) the consolidated net tangible assets of Gesco and its subsidiaries immediately after giving effect to such financing or incurring such liability, as the case may be, shall be not less than two times the consolidated funded indebtedness of Gesco and its subsidiaries; and
- (ii) Issue or become liable for any funded indebtedness subordinate to the Debentures Series A unless in all such cases the consolidated net tangible assets of Gesco and its subsidiaries immediately after giving effect to such financing or incurring such liability, as the case may be, shall be not less than one and one-half times the consolidated funded indebtedness of Gesco and its subsidiaries; provided also that the requirement in clause (i)(a) hereof shall have been met.
- (iii) Issue, have certified or become in any way liable for any funded indebtedness (other than purchase money mortgages authorized by the Trust Deed) having a final maturity date prior to the 1st day of February, 1984.
- (iv) Issue, have certified or become in any way liable for any other funded indebtedness (other than purchase money mortgages authorized by the Trust Deed) which by the terms thereof provides for, requires or permits in any calendar year maturities of such other funded indebtedness on stated maturities or other retirements, whether out of sinking fund, by redemption on call (except for re-funding into an equal principal amount at a lower net interest cost), by purchase or in any manner whatsoever exceeding in total principal amount one-fifteenth (1/15th) of the principal amount of such other funded indebtedness.
- (v) Mortgage, pledge, charge or otherwise encumber any of its assets to secure any money, debts, assets or other obligations (other than purchase money mortgages authorized by the Trust Deed) unless subject to the first floating charge of the Trust Deed or unless at the same time it shall secure equally and rateably with such obligations all the Debentures Series A then outstanding under the Trust Deed.



- (vi) Borrow money from associated or affiliated companies (as defined) except loans maturing within twelve months of the date of their creation.
- (vii) Permit any subsidiary to borrow money other than from Gesco, except for bank loans payable on demand or maturing within twelve months from the date of their creation and incurred in the ordinary course of business and for purchase money mortgages (authorized by the Trust Deed), unless in the opinion of the Trustee such borrowings would not impair the security of the outstanding Debentures.

Provided that nothing in the foregoing clauses (i) to (vii) shall prevent Gesco or any subsidiary:

- (a) from assuming or creating funded indebtedness by way of purchase money mortgages or other purchase money mortgage liens on property acquired subsequent to October 1, 1968, in an amount up to but not exceeding 75% of the lesser of cost or fair market value of the property so acquired;
  - (b) from assuming or creating funded indebtedness by way of purchase money mortgages or other purchase money mortgage liens for the purpose of acquiring a subsidiary subsequent to October 1, 1968, in an amount up to but not exceeding 75% of the purchase price for such a subsidiary, provided that any funded indebtedness then existing of such subsidiary must be taken into consideration on a consolidated basis for the purpose of determining that the requirement for creating additional debentures as provided in clause (i) or (ii) hereof shall have been met.
  - (c) from selling, leasing or otherwise dealing with its property in the ordinary course of its business and, in particular, from giving security to its bankers or others (except on fixed assets) to secure loans maturing within 12 months and required in the ordinary course of business.
- (viii) Sell or otherwise dispose of any funded indebtedness of a subsidiary except to another subsidiary.
  - (ix) Permit any subsidiary to issue any shares of its capital stock otherwise than to Gesco or another subsidiary of Gesco (provided that this covenant will not prevent the issue by a subsidiary of shares of its capital stock if after giving effect to such issue the proportionate interest of Gesco and its other subsidiaries in the assets and earnings of such subsidiary is not reduced and provided that in no event will Gesco permit any subsidiary to issue any preferred shares of its capital stock except to Gesco or to a subsidiary of Gesco) unless in the opinion of the Trustee such issue of shares would not impair the security of the outstanding Debentures.
  - (x) Nor will it permit any subsidiary to sell, alienate or otherwise dispose of (other than to Gesco or another subsidiary) any shares of a subsidiary which are owned by Gesco or another subsidiary, unless in each case the net proceeds of any such sale, alienation or other disposal shall be first applied towards the retirement of any purchase money mortgage (as defined) of such first mentioned subsidiary that after such sale is an obligation of Gesco or another subsidiary.
  - (xi) Nor will it permit any subsidiary to sell, alienate or otherwise dispose of (other than to Gesco or another subsidiary) any shares of a subsidiary which are owned by Gesco or another subsidiary unless all of the shares of such subsidiary held by Gesco or another subsidiary are sold, alienated or otherwise disposed of, nor will it permit any subsidiary to sell, alienate or otherwise dispose of its assets (other than in the ordinary course of business) or undertaking except as an entirety or substantially as an entirety.

### **Dividend Restrictions**

The Trust Deed will contain provisions to the effect that so long as any of the Debentures Series A are outstanding and subject as hereinafter provided, the aggregate (calculated from October 1, 1968) from time to time of: (i) payments made by Gesco as dividends on its capital stock (except dividends payable in capital stock); (ii) all amounts paid in redemption or reduction of its capital stock; (iii) all



other payments made as distribution by Gesco to its shareholders; (iv) all principal repayments (whether mandatory or voluntary or by way of sinking fund or otherwise) made on or in respect of any long-term debt which is subordinate to the Debentures Series A hereby secured; and (v) all amounts advanced as loans to associated or affiliated companies, shareholders or any other companies (except subsidiaries), or individuals, shall not exceed the aggregate from time to time of the consolidated net earnings of Gesco and its subsidiaries, if any, earned subsequent to September 30, 1968, and any such payments may be made only if: the consolidated net current assets of Gesco and its subsidiaries are, and immediately after such action would be not less than two and one-quarter times the consolidated funded indebtedness of Gesco and its subsidiaries, and the ratio of current assets to current liabilities of Gesco and its subsidiaries shall be not less than two to one.

Provided that this covenant shall not be deemed to restrict or prevent Gesco from paying the annual dividends or satisfying any mandatory retirement provisions in respect of any preferred shares of its capital (other than in respect of preferred shares issued by way of stock dividend on the shares of Gesco) or any payment or distribution by way of purchase, redemption or reduction of capital if made out of the proceeds of any issue of shares by Gesco made concurrently with or prior to such purchase, redemption or reduction.

#### **Certain Definitions**

The Trust Deed will contain definitions amongst others substantially to the following effect:

“Associated company and affiliated company” means (i) any company or corporation, other than a subsidiary company, of which 15% or more of the then outstanding voting stock is for the time being owned or controlled, directly or indirectly, by or for Gesco, by or for any subsidiary company or by or for any company to which Gesco is a subsidiary, or by or for two or more of such companies, or (ii) any company or corporation (other than Gesco or a subsidiary company) which directly or indirectly owns or controls for the time being 15% or more of the then outstanding voting stock of Gesco, of any subsidiary company or of any company to which Gesco is a subsidiary, or (iii) any company to which Gesco is a subsidiary.

“Consolidated net current assets” means the excess of consolidated current assets over consolidated current liabilities computed in accordance with generally accepted accounting practice.

“Consolidated funded indebtedness” means the aggregate of all funded indebtedness of Gesco and its subsidiaries arrived at on a consolidated basis in accordance with generally accepted accounting practice.

“Consolidated net earnings” for any fiscal year means the income of Gesco and its subsidiary companies, if any, for such fiscal year computed on a consolidated basis in accordance with generally accepted accounting practice and remaining after deducting or making provision from such income for:

- (i) all expenses of operation and administration of every kind or character;
- (ii) depreciation considered by the auditors of Gesco to be normal for companies owning similar properties;
- (iii) taxes exigible in respect of income;
- (iv) interest paid or accrued in such fiscal year including, without limitation, such interest on consolidated funded indebtedness; and
- (v) payments on rental agreements and purchase-lease agreements paid or accrued in such fiscal year.

“Consolidated net tangible assets” means the total of all assets appearing on a consolidated balance sheet of Gesco and its subsidiaries prepared in accordance with generally accepted accounting practice, less the following:

- (i) any amount included in such balance sheet for goodwill or other assets of an intangible nature;
- (ii) the amount of any loans to associated or affiliated companies, or to shareholders or other companies (except subsidiaries) or individuals;



(iii) all liabilities as shown by such balance sheet, other than the following:

- (a) liability in respect of issued shares in the capital stock of the Company, and surplus; and
- (b) liability for the repayment of the outstanding consolidated funded indebtedness;

(iv) the reserve for bad debts as considered reasonable by the auditors of Gesco;

(v) to the extent that the same is not shown as a liability in such balance sheet or has not been deducted on such balance sheet in determining the total assets of Gesco and its subsidiary companies, if any, an amount in respect of depreciation of the buildings, plant, machinery and equipment of Gesco and its subsidiary companies, if any, considered by the auditors of Gesco to be normal for companies owning similar properties;

(vi) the amount, if any, by which the gross book value (before deducting any reserve for depreciation in respect thereof) as shown in such balance sheet of the land, buildings, plant, machinery and equipment of Gesco and its subsidiary companies, if any, exceeds the sum of:

- (a) the cost of such assets owned by Gesco and its subsidiary companies, if any, as at October 1, 1968, as shown in the audited financial statement as of that date; plus
- (b) the cost (determined according to generally accepted accounting practice) of additions thereto made after September 30, 1968;

less the gross book value (before deducting any reserve for depreciation in respect thereof) of disposals made after September 30, 1968.

"Funded indebtedness" means any indebtedness (including purchase money mortgages) of Gesco or a subsidiary, the principal amount of which is not payable on demand or within twelve months from the date upon which it was incurred.

"Purchase money mortgage" means (i) a mortgage or other encumbrance given to secure a portion of the purchase price of property acquired subsequent to the date hereof (whether such mortgage or other encumbrance is given to the vendor of such property or to some other person), and (ii) an existing mortgage or other encumbrance assumed on the acquisition of property subsequent to the date hereof and (iii) a mortgage or other encumbrance created in connection with and not later than three months after the completion of construction thereof, by Gesco or any subsidiary of Gesco, of any building and which provides and secures an amount not in excess of 75% of the total cost or fair market value (determined in a manner acceptable to the Trustee), whichever is the lesser, on such building and the lands related thereto and on any machinery, fixtures or equipment of a permanent character required by Gesco or any subsidiary of Gesco to be installed in such building; and includes any replacement or renewal of any such mortgage or other encumbrance to the extent of the principal amount of such mortgage or other encumbrance being replaced or renewed which is outstanding at the time of such replacement or renewal.

"Subsidiary company" or "subsidiary" means any corporation or company of which more than 50% of the outstanding voting stock or shares, is or shall at any time be owned, directly or indirectly, by or held for Gesco, or means any subsidiary of a subsidiary company. "Voting stock or shares" as used in this definition shall be stock or shares of any class carrying voting rights, but shall not include stock or shares of any class carrying limited voting rights or carrying voting rights by reason of the happening of any contingency whether or not such contingency shall have happened.

#### **Interest Coverage**

The maximum annual interest on the Debentures Series A will be \$128,000 per annum, which interest will decrease through the operation of the sinking fund for the Debentures Series A. The income before taxes reported in the pro forma statement of income on page 19 amounted to \$959,004 for the year ended September 30, 1968 and are approximately 7.5 times such maximum annual interest.

#### **Asset Coverage**

The consolidated net tangible assets reported in the pro forma consolidated balance sheet after financing on page 17 amounted to \$3,824,852 as at October 1, 1968. The foregoing consolidated net tangible assets (before deducting debentures) represent approximately \$2,390 for each \$1,000 principal amount of Debentures Series A.



## THE SHARES

### Description of the Shares

The authorized capital of Gesco consists of 1,500,000 shares without par value, of which 200,000 shares are being offered by this prospectus. The shares are entitled to dividends as and when declared by the board of directors; are entitled to one vote per share; are entitled, upon liquidation, to receive pro rata such assets of Gesco as are distributable to shareholders. The shares hereby offered are and will be fully paid and non-assessable.

### Dividends and Dividend Policy

Gesco has not paid any dividends since its incorporation. Payment of dividends is subject to certain restrictions as set out under the sub-heading Dividend Restrictions on page 9 herein. Future payment of dividends will be at the discretion of the directors of Gesco.

## MANAGEMENT

### Directors and Officers

The names and home addresses in full of the directors and senior officers in Gesco and their principal occupation within the 5 preceding years are as follows:

<u>Name and Address</u>	<u>Office</u>	<u>Principal Occupation</u>
Irving Shnier 51 Wenderly Drive Toronto, Ontario	President and Director	Chief Executive Officer of G. E. Shnier Co.
Norman Shnier 49 Fifeshire Road Toronto, Ontario	Executive Vice-President and Director	Chief Financial Officer of G. E. Shnier Co.
Allan Shnier 779 Elm Street Winnipeg, Manitoba	Vice-President and Director	Executive of G. E. Shnier Co.
Cecil Shnier 1532 Mathers Bay West Winnipeg, Manitoba	Secretary and Director	Executive of G. E. Shnier Co.
Philip Shnier 8 York Downs Drive Toronto, Ontario	Vice-President and Director	Executive of G. E. Shnier Co.
Israel Harold Asper 970 Wellington Crescent Winnipeg, Manitoba	Director	Partner, Asper, Freedman & Company
Howard Ridgway Bennett 122 Glenview Avenue Toronto, Ontario	Director	Partner, Richardson Securities of Canada
James Albert Goddard 1 Sherin Court Toronto, Ontario	Vice-President	Executive of G. E. Shnier Co.
Bryan Lonsdale, F.C.A. 2 Maple Gate Court Toronto, Ontario	Treasurer	Executive of G. E. Shnier Co.



## Remuneration of Directors and Officers

Since the incorporation of Gesco on September 30, 1968 until November 30, 1968, the aggregate remuneration paid to the senior officers of Gesco was \$36,243. Included in the above figure for the two months ended November 30, 1968 is \$201 as the cost to Gesco of pension benefits. No remuneration was paid to directors as such.

Remuneration of directors and senior officers has been established by Gesco at an annual rate of \$225,000.

## Pension Plan

The predecessor partnership, G. E. Shnier Co., established an executive pension plan for Messrs. Irving Shnier, Norman Shnier, Allan Shnier, Cecil Shnier, and Philip Shnier. The unfunded liability of G. E. Shnier Co. to the pension plan is approximately \$312,932. Gesco has assumed such liability to the pension plan and intends to make payments to the pension plan in accordance with the terms thereof as set out in Note 7 to Notes to the Pro Forma Balance Sheets on page 18 herein.

## Interest of Management in Material Transactions

1. As referred to under the heading Acquisition of G. E. Shnier Co. by Gesco on page 3 herein, pursuant to an agreement dated as of October 1, 1968, Gesco acquired the assets of G. E. Shnier Co. from the partners thereof in consideration of the issuance of a note for \$1,834,129.

2. As referred to under the heading Acquisition of G. E. Shnier Co. by Gesco on page 3 herein, pursuant to an agreement dated as of September 30, 1968, Gesco acquired from Metropolitan Equities Ltd., 1965 Lawrence Avenue West, Toronto, certain investments for a total consideration of \$49,388 payable in cash.

3. Messrs. Irving Shnier, Norman Shnier, Allan Shnier, Cecil Shnier and Philip Shnier are the primary beneficiaries of the pension plan assumed by Gesco, described under the sub-heading Pension Plan on page 13 herein.

4. Gesco has entered into five separate leases, each for a minimum of 15 years, with Sarah Investments Ltd. for the rental and use by Gesco of business premises in Toronto, Winnipeg, Regina, Calgary and Vancouver. Sarah Investments Ltd., 1965 Lawrence Avenue West, Toronto, is owned by the Shnier Family Trusts referred to below under the heading Principal Holders of Securities.

5. Gesco leases approximately 55 vehicles for use in its business from Cardinal Leasing Ltd., 1965 Lawrence Avenue West, Toronto, a wholly owned subsidiary of Metropolitan. Metropolitan is owned by the Shnier Family Trusts referred to below under the heading Principal Holders of Securities.

## PRINCIPAL HOLDERS OF SECURITIES

As of November 30, 1968 the following each owned of record or beneficially, directly or indirectly, more than 10% of the shares of Gesco:

Number of Shares Owned	Percent of Class	Owned By
775,000	100	G. E. Shnier Co., a partnership comprising G. E. Shnier Co. Limited, The Irving Shnier Family Trust, The Norman Shnier Family Trust, The Allan Shnier Family Trust, The Cecil Shnier Family Trust, and The Phil Shnier Family Trust

As of November 30, 1968 the directors and senior officers of Gesco and their families as a group owned of record or beneficially, directly or indirectly, 100% of the outstanding shares of Gesco.



## **ESCROWED SHARES**

An escrow agreement will be entered into by G. E. Shnier Co. (a partnership comprising G. E. Shnier Co. Ltd., The Irving Shnier Family Trust, The Norman Shnier Family Trust, The Allan Shnier Family Trust, The Cecil Shnier Family Trust and The Phil Shnier Family Trust) of the First Part, Gesco of the Second Part, and The Royal Trust Company of the Third Part, which provides that 580,000 shares of Gesco will be placed in escrow with The Royal Trust Company at or before closing of the underwriting of the 200,000 shares offered by this prospectus.

The escrow agreement provides that the said shares will not be released from escrow except with the prior written consent of the Ontario and Quebec Securities Commissions. It also provides that no transfer, hypothecation or other alienation will be made within the escrow without the prior written consent of the Ontario and Quebec Securities Commissions.

## **PRIOR SALES**

As of December 2, 1968 Gesco issued 25,000 shares to certain employees of Gesco for an aggregate cash consideration of \$50,000.

An aggregate of 775,000 shares were issued by Gesco to the partnership, G. E. Shnier Co. as referred to under the heading Acquisition of G. E. Shnier Co. by Gesco on page 3 herein.

## **FOUNDERS**

Messrs. Irving Shnier, Norman Shnier, Allan Shnier, Cecil Shnier and Philip Shnier founded Gesco as a successor to the partnerships, G. E. Shnier Co. and Eagle Distributing Co. It was determined by negotiation with the Underwriter that net tangible assets with a book value of \$1,600,000, plus intangible rights, leases, licenses, franchises and business goodwill would be supplied to Gesco in return for which G. E. Shnier Co. (a partnership comprising G. E. Shnier Co. Ltd., The Irving Shnier Family Trust, The Norman Shnier Family Trust, The Allan Shnier Family Trust, The Cecil Shnier Family Trust and The Phil Shnier Family Trust) received a Promissory Note which it exchanged for 775,000 shares of Gesco. Messrs. Irving Shnier, Norman Shnier, Allan Shnier, Cecil Shnier and Philip Shnier are deemed to be "promoters" of Gesco within the definition of that term as contained in applicable securities legislation.

## **STOCK OPTION PLAN**

As of November 30, 1968 certain employees of Gesco had options to purchase an aggregate of 25,000 shares of Gesco exercisable at a price of \$3.75 per share. The options are exercisable at any time and will expire on September 30, 1971.

## **MATERIAL CONTRACTS**

Particulars regarding material contracts entered into by Gesco (since its incorporation) other than contracts in the ordinary course of business, are as follows:

1. The underwriting agreement dated January 29, 1969, made between Richardson Securities of Canada and Gesco referred to under the heading Plan of Distribution on page 5 herein.
2. The agreement with regard to shares sold to employees of Gesco dated January 29, 1969, made between Richardson Securities of Canada and Gesco referred to under the heading Plan of Distribution on page 5 herein.



3. The acquisition agreements referred to under the heading Acquisition of G. E. Shnier Co. by Gesco on page 3 herein.
4. The leases on real property assumed or made by Gesco referred to under the heading Interest of Management in the Material Transactions on page 13 herein.

Copies of the foregoing agreements and the Trust Deed referred to on page 6 may be inspected at the head office of Gesco at 1965 Lawrence Avenue West, Toronto, while the shares offered by this prospectus are in the course of primary distribution and for 30 days thereafter.

#### **AUDITORS, TRUSTEE, TRANSFER AGENT AND REGISTRAR**

The auditors of Gesco are Messrs. Touche, Ross, Bailey & Smart, 200 University Avenue, Toronto.

The transfer agent and registrar for the shares of Gesco is The Royal Trust Company at its principal offices located in Halifax, Montreal, Toronto, Winnipeg, Calgary and Vancouver.

The trustee under the Trust Deed and the transfer agent for the Debentures Series A of Gesco is The Royal Trust Company at its principal offices located in Halifax, Montreal, Toronto, Winnipeg, Calgary and Vancouver.

## AUDITORS' REPORT

The Directors,  
Gesco Distributing Limited.

We have examined the pro forma balance sheets of Gesco Distributing Limited as at October 1, 1968 and the statement of income and pro forma statement of income of G. E. Shnier Co. for the nine months ended September 30, 1964 and the four years ended September 30, 1968. Our examination included a general review of accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion:

- (a) The accompanying pro forma balance sheet before financing presents fairly the financial position of Gesco Distributing Limited as at October 1, 1968 after giving effect to the transactions in Note 1,
- (b) The accompanying pro forma balance sheet after financing presents fairly the financial position of Gesco Distributing Limited as at October 1, 1968 after giving effect to the transactions in Note 2,
- (c) The accompanying statement of income presents fairly the results of operations of G. E. Shnier Co. for the nine months ended September 30, 1964 and the four years ended September 30, 1968,
- (d) The accompanying pro forma statement of income presents fairly the results of operations of G. E. Shnier Co. for the nine months ended September 30, 1964 and the four years ended September 30, 1968 after giving effect to the adjustments detailed as "pro forma adjustments" and in Notes A, B and C to the pro forma statement of income,

all in accordance with generally accepted accounting principles applied on a consistent basis.

Toronto, Ontario,  
January 29, 1969.

(Signed) Touche, Ross, Bailey & Smart,  
Chartered Accountants.



**Gesco Distributing Limited**  
**Pro Forma Balance Sheets**  
**October 1, 1968**

**ASSETS**

	Pro forma before financing (Note 1)	Pro forma after financing (Note 2)
<b>Current Assets</b>		
Cash .....	\$ —	\$ 472,666
Accounts receivable .....	3,891,868	3,891,868
Inventory — at the lower of cost and net realizable value.....	3,241,059	3,241,059
Prepaid expenses and sundry assets .....	80,294	80,294
	<u>7,213,221</u>	<u>7,685,887</u>
<b>Investments — at cost</b> .....	62,218	62,218
<b>Fixed assets — at cost less accumulated depreciation and amortization of \$145,671</b> .....	193,163	193,163
<b>Organization and financing expenses</b> .....	—	140,000
	<u>\$7,468,602</u>	<u>\$8,081,268</u>

**LIABILITIES**

	Pro forma before financing (Note 1)	Pro forma after financing (Note 2)
<b>Current Liabilities</b>		
Bank indebtedness (Note 3) .....	\$1,560,399	\$ —
Accounts payable and accrued liabilities .....	3,847,139	3,847,139
Note payable (Note 1) .....	234,129	234,129
Notes and loans payable .....	226,935	—
	<u>5,868,602</u>	<u>4,081,268</u>
<b>8% Sinking Fund Debentures Series A, due February 1, 1984</b> (Note 4) .....	—	1,600,000
	<u>5,868,602</u>	<u>5,681,268</u>

**SHAREHOLDERS' EQUITY**

<b>Capital Stock (Note 5)</b>		
Authorized — 1,500,000 shares without par value		
Issued and fully paid —		
Before financing—775,000 shares .....	1,600,000	
After financing—1,000,000 shares .....		2,400,000
	<u>\$7,468,602</u>	<u>\$8,081,268</u>

Approved on behalf of the Board:

(Signed) Irving Shnier, Director.

(Signed) Norman Shnier, Director.

**Gesco Distributing Limited**  
**Notes to the Pro Forma Balance Sheets**  
**October 1, 1968**

1. Gesco Distributing Limited was incorporated under the laws of the Province of Ontario on September 30, 1968, and on October 1, 1968 acquired the business of G. E. Shnier Co. (a limited partnership) together with its assets and liabilities. The limited partnership was formed on January 1, 1964, the partners being a corporation and trusts for the families of Messrs. Irving, Norman, Allan, Cecil and Philip Shnier (Messrs. Shnier). The purchase price was the aggregate of the following balances appearing on the books of the limited partnership as at September 30, 1968.

7% unsecured subordinated loan to the limited partnership by corporations controlled by Messrs. Shnier, the Shnier Family Trusts and members of the Shnier families .....	\$ 928,847
Capital of the limited partnership .....	450,005
Undistributed earnings of the limited partnership .....	455,277
	<u>\$1,834,129</u>

The purchase price was satisfied by the issuance to the vendor of a demand promissory note. The vendor immediately subscribed for 775,000 shares of the Company and agreed to pay therefor the sum of \$1,600,000 by surrendering its note to that extent. The pro forma balance sheet before financing gives effect to issuance of said 775,000 shares to the vendor and the transfer of the balance of the note in the amount of \$234,129 into a new non-interest bearing note from the Company to the vendor, payable on demand.

2. The pro forma balance sheet after financing gives effect to the transactions described in Note 1 and to the:
- Issue and sale to various employees of 25,000 shares without par value for an aggregate consideration of \$50,000.
  - Issue and sale of 200,000 shares without par value for a net aggregate consideration of \$750,000.
  - Issue and sale of \$1,600,000 8% Sinking Fund Debentures Series A, less a discount of \$80,000.
  - Payment of loans and notes payable of \$226,935.
  - Payment of bank indebtedness of \$1,560,399.
  - Payment of organization and financing expenses estimated at \$60,000.

**3. Bank Indebtedness**

As security for its bank indebtedness, the Company has executed a general assignment of accounts receivable.

**4. 8% Sinking Fund Debentures Series A, due February 1, 1984**

These Debentures are secured by a first floating charge on all the assets and property of the Company subject to any security which may be given to a Canadian chartered bank or banks. The Company has covenanted to establish a sinking fund commencing in 1970 to retire Debentures on February 1 in each of the years 1970 to 1984 inclusive as follows:

1970 to 1974 inclusive .....	\$ 80,000
1975 to 1979 inclusive .....	105,000
1980 to 1984 inclusive .....	135,000

**5. Capital Stock**

As of November 30, 1968, certain employees of the Company had options to purchase an aggregate of 25,000 shares exercisable at \$3.75 per share at any time prior to September 30, 1971 for which the company has reserved 25,000 shares.

The trust deed for the 8% Sinking Fund Debentures Series A contains restrictions on the payment of dividends on the shares to which reference is made under the sub-heading Dividend Restrictions on page 9 of this prospectus.

**6. Lease Obligations**

Annual rentals payable under long-term leases in effect as at October 1, 1968 are approximately as follows:

Years ending 1969 to 1971 .....	\$290,000
1972 to 1983 .....	\$235,000

**7. Executive Pension Plan**

The unfunded liability with respect to past service amounts to \$612,932 of which \$482,229 is payable in installments on December 15 in each year as follows:

Years 1968 to 1970 .....	\$39,999
1971 to 1973 .....	32,740
1974 to 1979 .....	25,240
1980 to 1984 .....	17,271
1985 to 1987 .....	8,739

and the amount of \$130,703 may be paid in full or in part at any time prior to December 15, 1984 at the discretion of the Company.



G. E. Shnier Co. (Note 1)

Statement of Income for the Nine Months Ended September 30, 1964 and the Four Years Ended September 30, 1968

Year ended September 30

	1968	1967	1966	1965	1964
Sales .....	\$20,104,825	\$15,557,489	\$13,831,798	\$10,956,405	(nine months) \$ 7,295,035
Income from operations before the following charges .....	1,032,815	470,273	502,113	371,121	313,978
Depreciation and amortization of fixed assets .....	37,479	36,664	22,239	17,869	13,511
Interest on long-term debt and partnership capital .....	126,883	110,275	71,868	50,584	24,631
Net income .....	164,362	146,939	94,107	68,453	38,142
	\$ 868,453	\$ 323,334	\$ 408,006	\$ 302,668	\$ 275,836

G. E. Shnier Co.

Pro Forma Statement of Income for the Nine Months Ended September 30, 1964 and the Four Years Ended September 30, 1968

Year ended September 30

	1968	1967	1966	1965	1964
Net income .....	\$ 868,453	\$ 323,334	\$ 408,006	\$ 302,668	(nine months) \$ 275,836
Pro forma adjustments					
Doubtful accounts as originally reported .....	—	91,546	71,502	(85,816)	95,598
Doubtful accounts as adjusted (A) .....	—	(72,767)	(64,696)	(51,246)	(34,121)
Executive pension plan past service contributions as originally reported .....	29,358	50,640	—	187,000	—
Executive pension plan past service contributions as adjusted (B) .....	(39,999)	(39,999)	(39,999)	(147,001)	—
Interest on partnership capital and 7% unsecured subordinated loan converted to capital stock .....	101,192	86,463	68,090	45,716	20,250
Pro forma income before taxes .....	90,551	115,883	34,897	(1,347)	81,727
Income taxes (C) .....	959,004	439,217	442,903	301,321	357,563
	489,000	218,000	220,000	147,000	176,000
Pro forma net income .....	\$ 470,004	\$ 221,217	\$ 222,903	\$ 154,321	\$ 181,563

Notes to the Pro Forma Statement of Income for the Nine Months Ended September 30, 1964 and the Four Years Ended September 30, 1968.

- A) During the period covered by the statement of income the policy with respect to the amount provided for doubtful accounts was changed on two occasions. As no consistent policy was in effect for the 9 months ended September 30, 1964 and the years ended September 30, 1965 to 1967, an adjustment has been made to the pro forma statement of income to pro-rate the original charge for doubtful accounts on the basis employed in the financial statements for the years ended September 30, 1967 and 1968.
- B) The past service costs charged in the statement of income for the years 1965 to 1968 inclusive were based on the amounts funded in those years. The adjustment in the pro forma statement of income has the effect of re-allocating these costs on a basis which complies with the recommendations of The Accounting and Auditing Research Committee of The Canadian Institute of Chartered Accountants (see Note 7 to the pro forma balance sheets).
- C) The business was carried on by a limited partnership and its income was taxable in the hands of the partners. These amounts represent the income taxes that would have been payable had the business been carried on as a corporation.

## CERTIFICATE OF THE COMPANY

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of The Securities Act, 1966 (Ontario) and the regulations thereunder and under the Securities Act (Quebec), by Part VII of The Securities Act, 1967 (British Columbia) and the regulations thereunder, by Part 7 of The Securities Act, 1967 (Alberta) and the regulations thereunder, by Part VIII of The Securities Act 1967 (Saskatchewan) and the regulations thereunder, and by Section 13 of The Securities Act (New Brunswick).

Dated: January 29, 1969

(Signed) Irving Shnier  
President  
Chief Executive Officer

(Signed) Norman Shnier  
Executive Vice-President  
Chief Financial Officer

On behalf of the Board of Directors by:

(Signed) Allan Shnier, Director

(Signed) Cecil Shnier, Director

## DIRECTORS

(Signed) Irving Shnier

(Signed) Norman Shnier

(Signed) Allan Shnier

(Signed) Cecil Shnier

(Signed) Philip Shnier

(Signed) Israel Harold Asper

(Signed) Howard Ridgway Bennett

## PROMOTERS

(Signed) Irving Shnier

(Signed) Norman Shnier

(Signed) Allan Shnier

(Signed) Cecil Shnier

(Signed) Philip Shnier



## CERTIFICATE OF THE UNDERWRITER

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of The Securities Act, 1966 (Ontario) and the regulations thereunder, under the Securities Act (Quebec), by Part VII of The Securities Act, 1967 (British Columbia) and the regulations thereunder, by Part 7 of The Securities Act, 1967 (Alberta) and the regulations thereunder, by Part VIII of The Securities Act, 1967 (Saskatchewan) and the regulations thereunder and by Section 13 of The Securities Act (New Brunswick).

Dated: January 29, 1969

RICHARDSON SECURITIES OF CANADA

By: (Signed) Howard Ridgway Bennett

The following are the names of every person having an interest, either directly or indirectly, to the extent of not less than 5% in the capital of Richardson Securities of Canada: George T. Richardson.











16.

#### FISCAL YEAR

The fiscal year of the Company ends on September 30, in each year.

17.

#### ANNUAL MEETINGS

The By-Laws of the Company provide that the Annual Meeting of the Company shall be held at the Head Office of the Company or at such other place in Ontario on such date of each year as the Board of Directors may determine from time to time. No Annual Meeting of Shareholders of the Company has yet been held.

18.

#### HEAD AND OTHER OFFICES

The Head Office of the Company is located at 1965 Lawrence Avenue West, Weston, Ontario. The Company also maintains office space as follows:

In: Vancouver	—	3525 Foster Avenue
Edmonton	—	10543 - 123rd Street
Calgary	—	3223 - 10th Street South-East
Saskatoon	—	371 - 24th Street East
Regina	—	310 - East 4th Avenue
Winnipeg	—	1021 Winnipeg Avenue
Toronto	—	1965 Lawrence Avenue West, Weston
Montreal	—	4900 Bourg Street, St. Laurent 9

19.

#### TRANSFER AGENT

The Transfer Agent of the Company is The Royal Trust Company at its offices in Halifax, Montreal, Toronto, Winnipeg, Calgary, and Vancouver. Share Certificates shall be mutually interchangeable between the various offices of the Transfer Agent.

20.

#### TRANSFER FEE

No fee is charged on stock transfers other than the customary government Stock Transfer Taxes.

21.

#### REGISTRAR

The Registrar of the Company is The Royal Trust Company, 119 Adelaide Street West, Toronto, Ontario.

22.

#### AUDITORS

The Auditors of the Company are Messrs. Touche, Ross, Bailey & Smart, Chartered Accountants, 200 University Avenue, Toronto, Ontario. The Auditors are qualified by virtue of their appointment by the Shareholders at the first general meeting of Shareholders on September 30th, 1968.

23.

#### OFFICERS AND DIRECTORS

The name, address and occupation of the Officers and Directors of the Company during the past five (5) years is given under the heading "Management" found at page 12 of the Prospectus.

#### CERTIFICATE

Pursuant to a Resolution duly passed by its Board of Directors, the applicant Company hereby applies for formal listing of the above mentioned securities on The Toronto Stock Exchange, and the undersigned Officers hereby certify that the statements and representations made in this application and in the documents submitted in support hereof are true and correct.

#### GESCO DISTRIBUTING LIMITED



Per: "IRVING SHNIER",  
President

Per: "CECIL SHNIER",  
Secretary

#### CERTIFICATE OF UNDERWRITER

To the best of my knowledge, information and belief, all of the statements and representations made in this Application and in the documents submitted in support hereof are true and correct.

#### RICHARDSON SECURITIES OF CANADA

Per: "H. R. BENNETT"

